

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

¹ The Debtors in these title III cases, along with each Debtor's respective title III case number listed as a bankruptcy case number due to software limitations and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17-BK-3283 (LTS)) (Last Four Digits of Federal Tax ID: 3481), (ii) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17-BK-3566(LTS)) (Last Four Digits of Federal Tax ID: 9686), (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17-BK-3567 (LTS)) (Last Four Digits of Federal Tax ID: 3808), (iv) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17-BK-3284 (LTS)) (Last Four Digits of Federal Tax ID: 8474); and (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17-BK-4780) (Last Four Digits of Federal Tax ID: 3747).

**PUERTO RICO FUNDS' LIMITED OBJECTION AND RESERVATION OF RIGHTS TO
THE MOTION OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS, UNDER
BANKRUPTCY CODE SECTIONS 105(A) AND 502 AND BANKRUPTCY RULE 3007,
ESTABLISHING PROCEDURES WITH RESPECT TO OBJECTIONS TO CLAIMS
ASSERTED BY HOLDERS OF BONDS ISSUED BY EMPLOYEES RETIREMENT
SYSTEM OF GOVERNMENT OF PUERTO RICO AND
REQUESTING RELATED RELIEF**

The Puerto Rico Funds,² all of whom are secured creditors of the Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") on account of their ownership of bonds issued by ERS ("ERS Bonds"), hereby file this limited objection and reservation of rights (the "Limited Objection") in opposition to the *Motion of Official Committee of Unsecured Creditors, Under Bankruptcy Code Sections 105(a) and 502 and Bankruptcy Rule 3007, Establishing Procedures with respect to Objections to Claims Asserted by Holders of Bonds Issued by Employees Retirement System of Government of Puerto Rico and Requesting Related Relief* [Docket No. 386 in Case No. 17-3566] (the "Procedures Motion") filed by the Official Committee of Unsecured Creditors (the "UCC") and in support state:

BACKGROUND

1. On March 12, 2019, the UCC filed its *Omnibus Objection of Official Committee of Unsecured Creditors to Claims Asserted by Holders of Bonds Issued by Employees Retirement System Of Government Of Puerto Rico* [Docket No. 381 in Case No. 17-3566] (the "UCC Objection," and together with the Procedures Motion, the "UCC Pleadings"), seeking to disallow all claims asserted against ERS based on ERS bonds (the "ERS Bond Claims").

² The Puerto Rico Funds include: Puerto Rico AAA Portfolio Bond Fund, Inc., Puerto Rico AAA Portfolio Bond Fund II, Inc., Puerto Rico AAA Portfolio Target Maturity Fund, Inc., Puerto Rico Fixed Income Fund, Inc., Puerto Rico Fixed Income Fund II, Inc., Puerto Rico Fixed Income Fund III, Inc., Puerto Rico Fixed Income Fund IV, Inc., Puerto Rico Fixed Income Fund V, Inc., Puerto Rico GNMA & U.S. Government Target Maturity Fund, Inc., Puerto Rico Investors Bond Fund I, Inc., Puerto Rico Investors Tax-Free Fund, Inc., Puerto Rico Investors Tax-Free Fund, Inc. II, Puerto Rico Investors Tax-Free Fund III, Inc., Puerto Rico Investors Tax-Free Fund IV, Inc., Puerto Rico Investors Tax-Free Fund V, Inc., Puerto Rico Investors Tax-Free Fund VI, Inc., Puerto Rico Mortgage-Backed & U.S. Government Securities Fund, Inc., Tax-Free Puerto Rico Fund, Inc., Tax-Free Puerto Rico Fund II, Inc., and Tax-Free Puerto Rico Target Maturity Fund, Inc.

2. Contemporaneously with the filing of the UCC Objection, the UCC filed the Procedures Motion seeking to establish a process for resolving objections to ERS bondholders' claims different from the process dictated by the Federal Rules of Bankruptcy Procedure.

LIMITED OBJECTION

3. Contemporaneously with the filing of this Limited Objection, the Puerto Rico Funds filed the *Motion of the Puerto Rico Funds to Vacate the Appointment of the Official Committee of Unsecured Creditors in the Employees Retirement System of the Government of the Commonwealth of Puerto Rico Title III Case* [Docket No. 433 in Case No. 17-3566] (the “Puerto Rico Funds’ Motion”), requesting that the Court vacate the appointment of the UCC as the creditors’ committee in the ERS case due to its inherent conflict arising from serving as the creditors’ committee in both the Commonwealth and ERS Title III cases. The Puerto Rico Funds’ Motion is set for hearing at the June 12, 2019 omnibus hearing.

4. Should the Court grant the Puerto Rico Funds’ Motion, the UCC will no longer be a party in interest in ERS’ Title III case under section 1109(b) of the Bankruptcy Code, and the procedures it seeks to establish in the Procedures Motion, as well as its objection to ERS bondholders’ claims in the UCC Objection, will be moot. See In re Pac. Ave., LLC, 467 B.R. 868, 871 (Bankr. W.D.N.C. 2012) (disbanding the unsecured creditors committee and noting that the committee will “have no further standing in connection with [the] cases”). In light of the mooting effect an order granting the Puerto Rico Funds’ Motion will potentially have on the UCC’s Pleadings, the Puerto Rico Funds submit that judicial economy militates against deciding the UCC’s Pleadings at this juncture. See, e.g., In re Concepcion, 494 B.R. 622, 626 (Bankr. D.P.R. 2013) (holding debtor’s objection to proof of claim in abeyance and modifying automatic stay *sua sponte* to allow potentially dispositive Puerto Rico court proceedings to conclude in light of considerations of judicial economy); Medina v. Banco Popular de P.R. (In re Medina), 2015 Bankr. LEXIS 1630, at *9–12 (Bankr. D.P.R.

May 13, 2015) (dismissing adversary complaint and modifying automatic stay *sua sponte* to allow dispositive Puerto Rico court proceedings to conclude so as to increase judicial economy); cf. Nowaczyk v. Warden, 299 F.3d 69, 77–78 (1st Cir. 2002) (holding that delaying decision on habeas corpus petition during pendency of potentially dispositive state proceedings was proper and supported by considerations of judicial economy); Planalto v. Ohio Cas. Ins. Co., 2009 U.S. Dist. LEXIS 16312, at *5 (D. Maine February 26, 2009) (staying action during pendency of potentially dispositive motion in separate proceeding). The Puerto Rico Funds therefore request that the Court hold the UCC’s Pleadings in abeyance until final disposition of the Puerto Rico Funds’ Motion.

RESERVATION OF RIGHTS

5. In submitting this Limited Objection, the Puerto Rico Funds do not waive any rights to respond to the UCC Objection on any grounds or at any time in the future. This Limited Objection should in no way be construed as a substantive response to the UCC Objection.

CONCLUSION

6. Based on the foregoing, the Puerto Rico Funds respectfully request that the Court hold the Procedures Motion and the UCC Objection in abeyance until final disposition of the Puerto Rico Funds’ Motion.

In San Juan, Puerto Rico, today April 9, 2019.

By:

/s/ Alicia I. Lavergne-Ramírez

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CERTIFICATE OF SERVICE

I hereby certify that, on this same date, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which will send notifications of such filing to all CM/ECF participants in this case.

Dated: April 9, 2019

/s/ Jason N. Zakia